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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

Main Processing Section

MAR 01 2019

## OMB APPROVAL

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Washington DC

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/18

MM/DD/YY

AND ENDING 12/31/18

MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Wells Fargo Funds Distributor, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

525 Market St Fl 12

(No. and Street)

San Francisco

CA

94105

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Erdem Cimen

(415) 228 - 5819

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG, LLC

(Name - if individual, state last, first, middle name)

55 Second Street, Suite 1400

San Francisco

CA

94105

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
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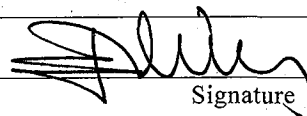
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## OATH OR AFFIRMATION

I, Erdem Cimen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Wells Fargo Funds Distributor, LLC, as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

  
Signature

Chief Financial Officer & Treasurer

Title

acknowledgment form attached and  
Notary Public

completed separately.  
see form.

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

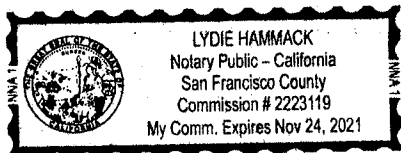
State of California

County of San Francisco }

On February 25, 2019 before me, Lydie Hammack Public notary  
Date Here Insert Name and Title of the Officer

personally appeared Erdem Cimen  
Name of Signer

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Lydie Hammack  
Signature of Notary Public

Place Notary Seal and/or Stamp Above

**OPTIONAL**

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**

Title or Type of Document: Annual Audit Report - 01.01.18 - 12.31.18

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

☐ Corporate Officer – Title(s): \_\_\_\_\_

☐ Partner – ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian of Conservator

☐ Other: \_\_\_\_\_

Signer is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

☐ Corporate Officer – Title(s): \_\_\_\_\_

☐ Partner – ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian of Conservator

☐ Other: \_\_\_\_\_

Signer is Representing: \_\_\_\_\_

SEC  
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Section  
MAR 01 2019  
Washington DC  
416

**WELLS FARGO FUNDS DISTRIBUTOR, LLC**

(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

**Statement of Financial Condition**

**December 31, 2018**

**(With Report of Independent Registered Public Accounting Firm Thereon)**

**WELLS FARGO FUNDS DISTRIBUTOR, LLC**  
(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

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KPMG LLP  
Suite 1400  
55 Second Street  
San Francisco, CA 94105

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors  
Wells Fargo Funds Distributor, LLC:

### *Opinion on the Financial Statement*

We have audited the accompanying statement of financial condition of Wells Fargo Funds Distributor, LLC (the Company) as of December 31, 2018, and the related notes (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2018, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

**KPMG LLP**

We have served as the Company's auditor since 2005.

San Francisco, California  
February 27, 2019

**WELLS FARGO FUNDS DISTRIBUTOR, LLC**

(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

**Statement of Financial Condition**

**December 31, 2018**

**Assets**

Cash and cash equivalents	\$ 62,560,036
Deferred sales commissions	872,501
Prepaid expenses	726,950
Due from affiliate	9,977,254
12b-1 distribution fee receivable	3,684,814
Other receivables	836,389
Total assets	<u>78,657,944</u>

**Liabilities and Member's Equity**

Due to affiliate	\$ 2,762,478
Accounts payable	53,963
Accrued compensation and related benefits	15,479,914
Commissions and distribution fees payable	2,027,439
Other accrued expenses	625,625
Total liabilities	\$ 20,949,419
Member's equity	<u>57,708,525</u>
Total liabilities and member's equity	<u>\$ 78,657,944</u>

See accompanying notes to financial statements.

## **WELLS FARGO FUNDS DISTRIBUTOR, LLC**

(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

### **Notes to Statement of Financial Condition**

December 31, 2018

#### **(1) Organization and Nature of Operations**

Wells Fargo Funds Distributor, LLC (WFFD) is a wholly owned subsidiary of Wells Fargo Asset Management Holdings, LLC (WFAMH) whose ultimate parent is Wells Fargo & Company (WFC). WFFD is registered with the Securities and Exchange Commission (the SEC) as a broker-dealer in securities and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). As of December 31, 2018, WFFD's primary activity is the distribution of Wells Fargo Funds (the Funds), pursuant to a service agreement with Wells Fargo Funds Management, LLC (WFFM). WFFD was chartered and seeded with \$23,501,000 by Wells Fargo Investment Group, Inc. (WFIGI) on October 19, 2004, and commenced broker-dealer operations on April 11, 2005. WFIGI made an additional capital contribution of \$30,000,000 to WFFD on October 23, 2013. WFIGI merged into Everen Capital Corporation (ECC), parent of WFAMH, on July 1, 2017.

WFFD does not receive or hold customer funds or securities.

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Basis of Presentation**

The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates, and matters that affect the reported amounts and disclosures of contingencies in the financial statements, may vary from actual results.

##### **(b) Fair Value of Financial Instruments**

In accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, WFFD categorizes its assets and liabilities that are accounted for at fair value in the statement of financial condition in the fair value hierarchy as defined by ASC 820. The fair value hierarchy is directly related to the amount of subjectivity associated with the inputs utilized to determine the fair value of these assets and liabilities. See note 6 for further information about the fair value hierarchy and WFFD's assets and liabilities that are accounted for at fair value.

##### **(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and money market fund investments, all with affiliated parties.



## WELLS FARGO FUNDS DISTRIBUTOR, LLC

(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

### Notes to Statement of Financial Condition

December 31, 2018

**(d) Underwriter and CDSC Fee**

Underwriter fees from the sale of the Funds' Class A shares are recorded at the time of sale.

Payments of dealer reallowances, also known as deferred sales commissions, from the sales of the Funds' Class C shares are recorded as a deferred asset at the point of sale and are amortized on a straight-line basis over a 12-month period. This corresponds with the period the deferred sales commissions are expected to be recovered from 12b-1 distribution fees and contingent deferred sales charges (CDSCs).

**(e) Federal and State Income Taxes**

The Company is a single-member limited liability company ("SMLLC") and is treated as a disregarded entity pursuant to Treasury Regulation 301.7701-3 for Federal income tax purposes. Generally, disregarded entities are not subject to entity-level Federal or state income taxation and as such, the Company does not provide for income taxes under FASB ASC 740, *Income Taxes*. The Company's taxable income is primarily reported in the tax return of ECC. The related income tax expense recognized by the Parent on the Company's net income for 2018 is approximately \$149,463.

**(3) Related-party Transactions**

In the ordinary course of business, WFFD enters into material transactions with other affiliates of WFC. These transactions could result in charges or reimbursements to WFFD and include costs incurred for employee benefit programs sponsored by WFC and other operating expenses allocated by affiliates.

**(a) Receivable from Affiliates**

As of December 31, 2018, WFFD recorded a receivable balance of \$9,977,254, which is consisted of \$9,614,436 due from WFFM for administrative, marketing, and related services performed on behalf of WFFM, \$322,287 of OCC expense corrections due from Wells Fargo Bank, N.A., and \$40,531 of distribution fees due from Analytic Investors, LLC, Wells Capital Management and Wells Fargo Asset Management, Luxembourg. The receivables are presented in Due from Affiliate financial statement caption.

**(b) Payable to Affiliates**

As of December 31, 2018, WFFD recorded a payable to affiliate balance of \$2,762,478, which is consisted of \$1,288,977 of 12b-1 expense accrual for Wells Fargo Clearing Services, LLC (WFCS), \$774,767 of intercompany balance from Automated Inter-entity Settlement activities, \$515,000 of sales commission accruals for WCM for sales of AI private placement products, WFWF, and the Funds, \$160,000 of risk and related services activity, \$20,532 of payroll off-cycle reclassification, \$3,202 payable to Wells Fargo Holdings for internal credit card charges. These liabilities are recorded in the Due to Affiliate financial statement caption.

## WELLS FARGO FUNDS DISTRIBUTOR, LLC

(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

### Notes to Statement of Financial Condition

December 31, 2018

#### (c) *Services Provided by Affiliates*

WFFD pays commissions to WFCS on Class C purchases. Since Class C purchases are subject to CDSC if redeemed within twelve months of purchase, WFFD records the commissions as prepaid and amortizes them over a 12-month period. The affiliate prepaid commission balance as of December 31, 2018 is \$310,004, which is recorded in Deferred Sales Commissions financial statement caption.

#### (4) **Net Capital Requirements**

WFFD is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), and was required to maintain minimum net capital of \$1,396,629 as of December 31, 2018. At December 31, 2018, WFFD had net capital of \$28,088,412, which was \$26,691,783 in excess of the minimum required. WFFD's net capital ratio (ratio of aggregate indebtedness to net capital) was 75% at December 31, 2018.

WFFD is exempt from Rule 15c3-3 under subsection (k)(1). Under this exemption, the "Computation for Determination of Reserve Requirements" and "Information Relating to the Possession or Control Requirements" are not required.

#### (5) **Fair Value of Assets and Liabilities**

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and requires disclosures about fair value measurements.

Money market fund investments are recorded at fair value on a recurring basis.

In accordance with ASC 820, WFFD groups its financial assets and financial liabilities measured at fair value in three levels, based on markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect WFFD's own estimates of assumptions market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models, option pricing models, and similar techniques.

**WELLS FARGO FUNDS DISTRIBUTOR, LLC**  
(A Wholly Owned Subsidiary of Wells Fargo Asset Management Holdings, LLC)

Notes to Statement of Financial Condition

December 31, 2018

The balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 are as follows:

<b>Description</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 24,343,851	24,343,851	-----	-----
Money Market Fund	\$ 38,216,185	38,216,185	-----	-----
Total Cash and cash equivalents	\$ 62,560,036	62,560,036	-----	-----

**(6) Subsequent Event Disclosure**

We have evaluated the effects of subsequent events that have occurred subsequent to December 31, 2018 and through February 27, 2019, which is the date we issued our financial statements. During this period, there have been no material events that would require recognition in the 2018 financial statements or disclosure in the notes to the financial statements.